ANNUAL FINANCIAL REPORT OF

COUNTY EMPLOYEES' RETIREMENT FUND

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County Employees' Retirement Fund

We have audited the accompanying financial statements of the County Employees' Retirement Fund ("CERF"), which comprise the statements of fiduciary net position as of December 31, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the County Employees' Retirement Fund as of December 31, 2014 and 2013, and the changes in plan net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 – 9 and the schedules of changes in the net pension liability, net pension liability, employer contributions, and investment returns on pages 25 – 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements as a whole. The supplementary information included on pages 30 – 31 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Williams-Keepers LLC

June 11, 2015

COUNTY EMPLOYEES' RETIREMENT FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the County Employees' Retirement Fund's (CERF) financial performance provides an introduction to the financial statements of CERF for the years ended December 31, 2014 and 2013. Since the MD&A is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the financial statements.

Required Financial Statements

CERF, a public employees' retirement plan, prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The Statement of Fiduciary Net Position includes all of CERF's assets and liabilities and provides information about the nature and amount of investments available to satisfy the pension benefits of the plan. All additions to and deductions from the net position held in trust for pension benefits are accounted for in the Statement of Changes in Fiduciary Net Position. This statement measures CERF's success over the past year in increasing the net position available for pension benefits.

Financial Analysis of CERF

While the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position measure the value of net position and the changes to them, there are other important factors to be considered in order to determine CERF's long-term ability to support member benefits. Among these additional factors is the plan's funded status. On an actuarial basis, the assets held as of June 30, 2014 cover 76% of the actuarial accrued liability, which is considerably above the 70% funded ratio at June 30, 2013. If a ratio of the actuarial value of assets to the actuarial present value of accrued benefits based on plan members' current compensation is used, the funded ratio as of June 30, 2014 is 88%. For the year ended December 31, 2014, the plan overall experienced a gain of 4.31%. Based on the actuarial value of assets, the funded ratio as of December 31, 2014, is 77%, while the funded ratio, based on the fair market value of assets, is 79%.

CERF uses other tools to monitor its actuarial results. CERF performs an actuarial gain and loss analysis every year to monitor each significant actuarial assumption. CERF also performs an actuarial experience study approximately every 5 years so that it can make any adjustments in actuarial assumptions if indicated. Also, importantly, CERF carries out a 40-year projection to make sure that its funded ratio can be expected to reach 100% within a reasonable timeframe.

In 2014, contributions, combined with net investment income and securities lending income totaling $49,644,973, exceeded deductions of $32,238,706. A net increase of $17,406,267 brought the net position to $434,606,328. For actuarial calculations, certain assumptions were changed beginning in 2008, based on a six-year experience study. Specifically, the salary increase assumption was strengthened, the member turnover assumption was increased, and the retirement age assumption was modified. A five-year smoothing method to derive the actuarial asset value was also adopted. The plan is not 100% funded at present, as it is a relatively new plan created by legislation in August, 1994 and the CERF plan granted past service credit. CERF's funded position had steadily improved since inception, enabling CERF to make improvements to plan benefits effective October 1, 2007. The cost of these benefit enhancements continue to be reflected in this recent actuarial valuation. At June 30, 2014, the date of the latest actuarial valuation, the actuarial value of assets was $406,209,618, while the fair market value of assets was $435,986,311. The aggregate actuarial liability for CERF was $537,374,784, based on plan members' projected compensation. The plan experienced an actuarial gain from member compensation increases that averaged 3.7%, which were lower than the actuarial assumption of an average 5.3%. However, an actuarial loss from Social Security experience partially offset the actuarial gain from the compensation increase assumption. The Social Security National Average Wage Index is assumed to increase by 4.5%, but the actual increase was 3.1%.

Net Position

To begin the financial analysis, a summary of CERF's net position is as follows:

Condensed Statements of Fiduciary Net Position
(in $000's)

	2014	2013	Dollar Change	Percent Change
Cash and cash equivalents	$ 2,409	$ 2,177	$ 232	11%
Receivables	4,885	4,247	638	15%
Investments	431,325	412,194	19,131	5%
Invested securities lending collateral	79,527	62,598	16,929	27%
Other assets	7	2	5	250%
Capital assets, net	4,841	4,304	537	12%
Total assets	522,994	485,522	37,472	8%
Liabilities	88,388	68,322	20,066	29%
Total fiduciary net position	$ 434,606	$ 417,200	$ 17,406	4%

Net position increased by $17,406,267, or 4%, in 2014. This increase reflects investment gains experienced during 2014.

The following table presents the investment allocation for 2014 and 2013, and CERF's target allocation for 2014. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2014 are based on including the land and building at the 2010 appraisal amount. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2014	2013	Target
Fixed Income	28.2%	28.2%	30.0%
U. S. Equities	41.4%	41.3%	35.0%
International Equities	13.5%	14.5%	15.0%
Private Equities	1.7%	1.5%	5.0%
Equity Long/Short	9.4%	9.0%	10.0%
Real Estate	4.0%	3.9%	5.0%
Cash	1.8%	1.6%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Fiduciary Net Position
(in $000's)

	2013	2012	Dollar Change	Percent Change
Cash and cash equivalents	$ 2,177	$ 1,830	$ 347	19%
Receivables	4,247	3,826	421	11%
Investments	412,194	346,131	66,063	19%
Invested securities lending collateral	62,598	46,947	15,651	33%
Other assets	2	2	-	0%
Capital assets, net	4,304	3,759	545	14%
Total assets	485,522	402,495	83,027	21%
Liabilities	68,322	53,579	14,743	28%
Total fiduciary net position	$ 417,200	$ 348,916	$ 68,284	20%

Net position increased by $68,284,542, or 20%, in 2013. This increase reflects investment gains experienced during 2013 from improved market return.

The following table presents the investment allocation for 2013 and 2012, and CERF's target allocation for 2013. CERF considers its land and administrative office building to be part of its real estate investment portfolio, whereas they are classified as capital assets in the financial statements. These percentages for 2013 are based on including the land and building at the 2010 appraisal amount. The percentages are also based on classifying temporarily uninvested cash in each investment fund as part of CERF's overall category, whereas such cash is classified as cash equivalents in the financial statements. Otherwise, these percentages may reflect some minor differences in classifications among categories as compared to the classifications used for investments in the accompanying financial statements.

	2013	2012	Target
Fixed Income	28.2%	30.2%	30.0%
U. S. Equities	41.3%	40.1%	35.0%
International Equities	14.5%	13.9%	15.0%
Private Equities	1.5%	1.5%	5.0%
Equity Long/Short	9.0%	9.3%	10.0%
Real Estate	3.9%	4.2%	5.0%
Cash	1.6%	0.8%	*

*The investment policy permits up to 3% of the portfolio to be in cash and cash equivalents.

Condensed Statements of Changes in Fiduciary Net Position
(in $000's)

	2014	2013	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 19,782	$ 20,349	$ (567)	-3%
By members	10,599	10,034	565	6%
For members, paid by counties	1,236	1,064	172	16%
Members, purchase of prior service	65	100	(35)	-35%
Total contributions	31,682	31,547	135	0%
Net investment income (loss)	17,604	66,916	(49,312)	-74%
Net securities lending activities	354	466	(112)	24%
Other income	5	4	1	33%
Total additions	49,646	98,933	(49,287)	-50%
Deductions:				
Benefits	$ 24,243	$ 22,369	$ 1,874	8%
Refunds	3,169	3,658	(489)	-13%
Defined contribution plan match	2,696	2,532	164	6%
Administrative expenses	2,131	2,089	42	2%
Total deductions	32,239	30,648	1,591	5%
Net increase	$ 17,407	$ 68,285	$ (50,879)	-75%

Condensed Statements of Changes in Fiduciary Net Position
(in $000's)

	2013	2012	Dollar Change	Percent Change
Additions:				
Contributions:				
Counties receipts	$ 20,349	$ 19,919	$ 430	2%
By members	10,034	9,412	622	7%
For members, paid by counties	1,064	1,151	(87)	-8%
Members, purchase of prior service	100	85	15	18%
Total contributions	31,547	30,567	980	3%
Net investment income (loss)	66,916	40,026	26,890	67%
Net securities lending activities	466	489	(23)	5%
Other income	4	4	(0)	4%
Total additions	98,933	71,086	27,846	39%
Deductions:				
Benefits	$ 22,369	$ 20,274	$ 2,095	10%
Refunds	3,658	3,185	473	15%
Defined contribution plan match	2,532	2,472	60	2%
Administrative expenses	2,089	1,964	125	6%
Total deductions	30,648	27,895	2,753	10%
Net increase	$ 68,285	$ 43,191	$ 25,094	58%

Additions

Additions needed to fund benefits are accumulated through contributions, which include both county fee receipts and employee contributions, and returns on invested funds. Contributions for 2014 totaled $31,681,446 which was .4% above those received in 2013. Contributions for 2013 totaled $31,547,138, which was 3% above those received in 2012. Due to the legislation which took effect in 2003, as new employees continue to replace employees hired prior to February 25, 2002, employee contributions are expected to continue to rise.

The year 2014 was strong for domestic equity and real estate, but weak for international stocks. The $49,423,125 decrease in net investment income in 2014, as compared to 2013, is attributable to a less positive market environment in 2014. For example, the S&P 500 Index returned 32.4% in 2013, and decreased to 13.69% in 2014. Similarly, the MSCI EAFE Index lost 4.48% in 2014, as compared to gaining 23.3% in 2013. Consequently, the total rate of return for the CERF portfolio in 2014 was 4.61%, as compared to 20% in 2013. CERF's Large Cap U.S. Equities returned 9.64%, as compared to 13.69% for the S&P 500 Index. The Small/Mid Cap U.S. Equities returned 35.7%, as compared to 36.8% for the Russell 2500 Index. The fixed income portfolio returned 4.16%, as compared to 5.97% for the Barclays U. S. Aggregate Index. CERF's international stock portfolio experienced a decrease of 5.3%, as compared to a decrease of 4.48% for the MSCI EAFE Index. The Equity Long/Short position returned 4.83%, as compared to 2.03% for the HFRI Equity Hedge Index. CERF's Private Equity investment returned 10.08% as compared to the S&P 500 of 13.69%. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In

2014, the core real estate investment returned 12.06%, as compared to the NFI ODCE Index return of 11.37%. The office building was appraised in mid-2010 with a market value of $3,500,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years. The year 2013 was strong for domestic and international stocks, but relatively weak for bonds. The $26,889,409 increase in net investment income in 2013, as compared to 2012, is attributable to a positive market environment in 2013. For example, the S&P 500 Index returned 16% in 2012, and increased to 32.4% in 2013. Similarly, the MSCI EAFE Index gained 23.3% in 2013, as compared to 17.9% in 2012. Consequently, the total rate of return for the CERF portfolio in 2013 was 20%, as compared to 13.7% in 2012. CERF's Large Cap U.S. Equities returned 33.9%, as compared to 32.4% for the S&P 500 Index. The Small/Mid Cap U.S. Equities returned 35.7%, as compared to 36.8% for the Russell 2500 Index. The fixed income portfolio returned 3.7%, as compared to (2)% for the Barclays U. S. Aggregate Index. CERF's international stock portfolio returned 23.8%, as compared to 23.3% for the MSCI EAFE Index. The Equity Long/Short position returned 15.4%, as compared to 14.4% for the HFRI Equity Hedge Index. CERF's Private Equity investment returned 8.6% as compared to the S&P 500 of 32.4%. The Real Estate portfolio consists of an investment in core real estate, as well as CERF's office building. In 2013, the core real estate investment returned 9.8%, as compared to the NFI ODCE Index return of 12.9%. The office building was appraised in mid-2010 with a market value of $3,500,000. The return on investment in CERF's office building will continue to be recognized as periodic appraisals are conducted every five years.

Beginning in January 2006, the Board of Directors authorized CERF to enter into a Securities Lending Agreement with Key Bank, thus allowing CERF to lend its securities to broker-dealers, for the purpose of providing additional income to CERF. In 2014, CERF experienced a net unrealized securities lending gain of $353,955, as compared to $465,569 in 2013.

When comparing returns, it is important to note that CERF's investment objectives should be pursued as long-term goals designed to maximize return while reducing exposure to undue risk, as set out in the Board's investment policy. At a minimum, it is the objective of CERF to meet its actuarial interest assumption on an ongoing basis. Currently, the actuarial assumption for investment return is 8%. The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption of 1%, which is an absolute objective of 9%, net of investment management fees and transaction costs. Long term is defined as greater than 10 years. Some of the results for the total fund are:

Period	Returns	Other Public Funds
One Year	4.61%	92nd Percentile
Three Years	12.62%	38th Percentile
Five Years	10.34%	38th Percentile
Ten Years	7.18%	19th Percentile
Since Inception	9.17%	

Deductions

The expenses paid by CERF include benefit payments, refunds, a defined contribution plan match, and administrative expenses. Due to new legislation which took effect August 28, 2012, expenses also include refunds of contributions to beneficiaries of non-vested active members who died after December 31, 2002.

Expenses for 2014 totaled $32,238,706, an increase of $1,590,732 over 2013. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 4,208 in 2014 from 3,985 in 2013 (an increase of 223 payees), as well as an increase of $1,873,903 required to pay pension benefits. There was also an increase of $164,616 in the amount necessary to make the defined contribution plan match for 2014. The amount of contributions refunded to terminated non-vested employees declined in 2014.

Expenses for 2013 totaled $30,647,974, an increase of $2,753,278 over 2012. The increase in benefit payments to members and beneficiaries resulted primarily from growth in the number of annuitants to 3,985 in 2013 from 3,672 in 2012 (an increase of 313 payees), as well as an increase in the amount of the average benefit. There was also an increase of $59,504 in the amount necessary to make the defined contribution plan match for 2013 and a significant increase in the amount of contributions refunded to terminated non-vested employees in 2013.

Economic Outlook

CERF's estimated investment return for the three months ended March 31, 2015, is approximately 2.67%. CERF's investments as of March 31, 2015 total approximately $440,060,000, an increase of $7,917,000 since December 31, 2014, due to first quarter appreciable investment return and plan contributions. For the first quarter 2015, the S&P 500 Index return was 0.95%, the Barclays U. S. Aggregate Index was 1.61%, the Russell 2500 was 5.17%, the NFI ODCE Index was 3.57%, and the MSCI EAFE Index was 5%.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash	$ 2,408,828	$ 2,177,305
Receivables:		
Member contributions	346,769	326,232
Member prior service contributions	133,350	141,307
County contributions	2,846,132	2,632,554
Receivable for pending investment sales	636,112	272,545
Accrued interest and dividends	922,305	874,324
Total receivables	4,884,668	4,246,962
Investments, at fair value:		
U.S. government and agencies	14,650,481	11,899,656
Foreign bonds	19,499,657	22,502,371
Corporate bonds and notes	27,500,588	23,640,616
Domestic stocks	172,958,731	167,245,049
International equities funds	58,460,641	60,145,181
Private equity	7,392,219	6,397,413
Hedge funds	99,317,707	95,490,582
Real estate fund	14,127,235	12,621,675
Cash equivalents	17,418,179	12,251,947
Total investments	431,325,438	412,194,490
Invested securities lending collateral	79,527,491	62,597,940
Other assets	7,001	2,001
Capital assets, net of accumulated depreciation of $2,422,923 and $2,353,952	4,840,535	4,303,299
Total assets	522,993,961	485,521,997
LIABILITIES		
Accounts payable	673,644	517,501
Accrued defined contribution plan funding	2,696,164	2,531,548
Other accrued expenses	107,954	119,699
Unearned revenue	206,183	279,375
Payable for pending investment purchases	4,378,749	1,219,666
Collateral for securities on loan	80,324,939	63,654,147
Total liabilities	88,387,633	68,321,936
Net position - restricted for pension benefits	$ 434,606,328	$ 417,200,061

The notes to financial statements are an integral part of these statements.

COUNTY EMPLOYEES' RETIREMENT FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended December 31, 2014 and 2013

	2014	2013
ADDITIONS:		
Contributions:		
County receipts	$ 19,781,514	$ 20,348,888
By members	10,599,321	10,034,205
For members, paid by counties	1,235,779	1,063,647
Members, purchase of prior service	64,832	100,398
Total contributions	31,681,446	31,547,138
Investment income:		
Investing activities:		
Net appreciation in fair value of investments	12,863,961	62,338,851
Fixed income securities	2,724,986	2,898,079
Equity securities	4,323,750	3,670,960
Alternative investments	6,690	10,857
Other miscellaneous income	17,785	11,531
Total investment income	19,937,172	68,930,278
Investment expenses	(2,332,792)	(2,014,387)
Net income from investing activities	17,604,380	66,915,891
Securities lending activities:		
Income	147,523	196,709
Expenses	(52,327)	(51,083)
Net increase in fair value of re-invested collateral	258,759	319,943
Net income from securities lending activities	353,955	465,569
Total net investment income	17,958,335	67,381,460
Other income	5,192	3,918
Total additions	49,644,973	98,932,516
DEDUCTIONS:		
Benefits	24,242,805	22,368,902
Refunds of member contributions	3,169,101	3,658,100
Defined contribution plan matching contribution	2,696,164	2,531,548
Administrative expense	2,130,636	2,089,424
Total deductions	32,238,706	30,647,974
Net increase	17,406,267	68,284,542
Net position - restricted for pension benefits		
Beginning of year	417,200,061	348,915,519
End of year	$ 434,606,328	$ 417,200,061

The notes to financial statements are an integral part of these statements.

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements of the County Employees' Retirement Fund ("CERF") are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

CERF adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*, during the year ended December 31, 2014. This Statement addresses accounting and financial reporting requirements for pension plans. It requires changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total and net pension liability and comprehensive note disclosures about each (see Note 5).

Method used to value investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Bonds and stocks traded on a national or international exchange are valued at the last reported sales price at current exchange rates as reported by independent pricing services. The values of real estate included in the real estate investment fund are based upon annual independent appraisals, updated quarterly, as provided by the fund manager. Investments that do not have an established market are reported at estimated fair value as provided by investment or fund managers.

Property and equipment: Property and equipment, including computer software programs, are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated lives of the assets of from three to fifty years.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. PLAN DESCRIPTION

CERF was established by an act of the Missouri General Assembly effective August 28, 1994. Laws governing the retirement fund are found in Sections 50.1000-50.1300 of the Missouri Revised Statutes (RSMo). The Board of Directors consists of eleven members, nine of whom are county employee participants. Two members, who have no beneficiary interest in CERF, are appointed by the Governor of Missouri. The Board of Directors has the authority to adopt rules and regulations for administering the system.

CERF is a mandatory cost-sharing multiple employer retirement system for each county in the state of Missouri, except any city not within a county (which excludes the City of St. Louis) and counties of the first classification with a charter form of government. CERF covers county elective or appointive officers or employees whose position requires the actual performance of duties not less than 1,000 hours per year; including employees of circuit courts located in a first class, non-charter county which is not participating in the Local Government Employees Retirement System (LAGERS); and does not cover circuit clerks, deputy circuit clerks, county prosecuting attorneys, and county sheriffs. Until January 1, 2000, employees hired before January 1, 2000 could opt out of the system.

CERF is a defined benefit plan providing retirement and death benefits to its members. All benefits vest after 8 years of creditable service. Employees who retire on or after age 62 are entitled to an allowance for life based on the form of payment selected. The normal form of payment is a single life annuity. Optional joint and survivor annuity and 10-year certain and life annuity payments are also offered to members in order to provide benefits to a named survivor annuitant after their death. Employees who have a minimum of 8 years of creditable service may retire with an early retirement benefit and receive a reduced allowance after attaining age 55. Annual cost-of-living adjustments, not to exceed 1%, are provided for eligible retirees and survivor annuitants, up to a lifetime maximum of 50% of the initial benefit which the member received upon retirement. Benefit provisions are fixed by state statute and may be amended only by action of the Missouri Legislature. Administrative expenses for the operation of CERF are paid out of the funds of the system.

Contributions: Prior to January 1, 2003, participating county employees, except for those who participated in LAGERS, were required to make contributions equal to 2% of gross compensation. Effective January 1, 2003, participating county employees hired on or after February 25, 2002 are required to make contributions of 4% if they are in a LAGERS county and contributions of 6% if they are in a non-LAGERS county. If an employee leaves covered employment before attaining 8 years of creditable service, accumulated employee contributions are refunded to the employee. The contribution rate is set by state statute and may be amended only by action of the Missouri Legislature.

Counties may elect to make all or a portion of the required 4% contribution on behalf of employees. Total county-paid member contributions for the years ended December 31, 2014 and 2013 were $1,235,779 and $1,063,647, respectively.

In addition, the following fees and penalties prescribed under Missouri law are required to be collected and remitted to CERF by counties covered by the plan:

- Late fees on filing of personal property tax declarations,
- Twenty dollars on each merchants and manufacturers license issued,
- Six dollars on each document recorded or filed with county recorders of deeds, with an additional one dollar on each document recorded,
- Three sevenths of the fee on delinquent property taxes, and
- Interest earned on investment of the above collections prior to remittance to CERF.

The fees and penalties collected and remitted to CERF by counties covered by the plan for the years ended December 31, 2014 and 2013 were as follows:

	2014		2013	
Delinquent property tax fees	$ 8,055,102	40.72%	$ 8,056,301	39.59%
Assessor late assessment filing fees	5,874,232	29.70%	5,762,731	28.32%
Recorder document fees	4,657,422	23.54%	5,376,260	26.42%
Merchants and manufacturers licenses	1,133,720	5.73%	1,093,740	5.37%
Interest on the above fees	61,038	0.31%	59,856	0.29%
	$19,781,514	100%	$20,348,888	100%

Members: CERF members include eligible employees of 111 counties in the State of Missouri. The number of members and benefit recipients served by the system at December 31, 2014 and 2013 were:

	2014	2013
Retirees and beneficiaries receiving benefits	4,208	3,985
Terminated employees entitled to but not yet receiving benefits	2,022	1,875
Current active plan members	11,012	10,970
Total	17,242	16,830

Tax status: The Internal Revenue Service has determined and informed CERF by letter dated September 28, 2011, that the plan as amended through November 1, 2010 is in a form acceptable under the Internal Revenue Code.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits: Custodial credit risk is the risk that in the event of a bank failure, CERF's deposits may not be returned to it. At December 31, 2014 and 2013, CERF's bank balances were secured by a combination of federal depository insurance and pledged collateral held in CERF's name by an agent of the depository bank.

Investments: Funds are invested by outside managers under policies established by the Board of Directors. The Board requires that its investment managers invest CERF's assets with the care, skill, and diligence a prudent person familiar with such matters acting in a like capacity would use in a similar enterprise with like objectives.

The following table summarizes CERF investments by type at December 31, 2014 and 2013:

	2014	2013
U.S. government and agencies securities	$ 14,650,481	$ 11,899,656
Foreign bonds	19,499,657	22,502,371
Corporate bonds and notes	27,500,588	23,640,616
Common and preferred stocks	172,958,731	167,245,049
International equities funds	58,460,641	60,145,181
Private equity	7,392,219	6,397,413
Hedge funds	99,317,707	95,490,582
Real estate fund	14,127,235	12,621,675
Cash equivalents	17,418,179	12,251,947
Total	$ 431,325,438	$ 412,194,490

CERF's investment policy permits investments in equity and fixed income (debt) securities and real estate, with guidelines for the percentage of the total for each category and for the type of investments within each category.

Investment income in the statement of changes in fiduciary net position displays the realized and unrealized investment gains and losses from all investment types on the line item "Net appreciation (depreciation) in fair value of investments". Totals for interest, dividends, and other types of investment income are presented by broad categories of investments.

With respect to debt securities, the policy permits fixed and variable rate securities issued or guaranteed by the U.S. government, its agencies or instrumentalities; and U.S. government sponsored and other corporation securities. To manage interest rate and credit risks, two investment managers are used for debt securities, each operating under specific guidelines with respect to approved securities, duration, diversification, and minimum quality ratings by Moody's or Standard and Poors.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the option-adjusted methodology. CERF benchmarks the fixed income portfolio to the U.S. Aggregate Index. At December 31, 2014, the effective duration of the U.S. Aggregate Index was 6.11 years, whereas, CERF's fixed income portfolio had an effective duration of 6.17 years. At December 31, 2013, the effective duration of the U.S. Aggregate Index was 6.57 years, whereas, CERF's fixed income portfolio had an effective duration of 6.59 years. The following table summarizes duration by investment type as of December 31, 2014:

Investment	2014 Fair Value	Effective Duration Rate in Years
U.S. treasuries	$ 5,385,610	11.88
U.S. agencies mortgage pool	9,264,871	5.66
Commercial mortgage backed securities	2,125,726	2.23
Other asset backed securities	1,955,474	2.60
U.S. corporate - financial	8,475,723	3.58
U.S. corporate - industrial	13,618,984	6.39
U.S. corporate - utility	1,324,681	7.50
International	19,499,657	6.52
Preferred stock	104,957	2.12
Total	$ 61,755,683	

The following table summarizes duration by investment type as of December 31, 2013:

Investment	2013 Fair Value	Effective Duration Rate in Years
U.S. treasuries	$ 4,635,592	11.95
U.S. agencies mortgage pool	7,264,064	6.41
Commercial mortgage backed securities	2,656,532	2.35
Other asset backed securities	1,109,728	3.90
U.S. corporate - financial	5,543,983	4.09
U.S. corporate - industrial	13,470,609	6.59
U.S. corporate - utility	859,764	8.66
International	22,502,371	6.70
Preferred stock	100,285	7.74
Total	$ 58,142,928	

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the plan. CERF's debt securities investments by credit rating category as of December 31, 2014 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign	Preferred/ Equity
Guaranteed	$ 5,385,610	$ 5,385,610	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	12,763,650	-	9,264,871	734,651	573,317	2,120,048	-	-	70,763	-
Aa1	2,638,558	-	-	1,212,040	305,268	-	-	-	1,121,250	-
A1	9,809,282	-	-	179,035	1,076,889	1,961,605	379,863	154,853	6,057,037	-
Baa1	17,313,214	-	-	-	-	465,812	6,845,916	1,004,383	8,997,103	-
Ba1	9,602,817	-	-	-	-	2,839,409	4,152,833	165,445	2,445,130	-
B1	4,242,552	-	-	-	-	1,088,849	2,240,372	-	808,374	104,957
Total	$ 61,755,683	$ 5,385,610	$ 9,264,871	$ 2,125,726	$ 1,955,474	$ 8,475,723	$ 13,618,984	$ 1,324,681	$ 19,499,657	$ 104,957

CERF's debt securities investments by credit rating category as of December 31, 2013 are presented in the following table.

Credit Rating Level	Total	U.S. Treasuries and Direct-Guaranteed Agencies	U.S. Sponsored Agencies - Mortgage Pools	Commercial Mortgage Backed Securties	Other Commercial Asset Backed Securites	U.S. Corporate - Financial	U.S. Corporate - Industrial	U.S. Corporate - Utility	Foreign	Preferred/ Equity
Guaranteed	$ 4,635,592	$ 4,635,592	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Aaa	9,673,775	-	7,264,064	1,833,015	494,167	-	-	-	82,529	-
Aa1	1,890,183	-	-	652,567	97,699	239,239	-	-	900,678	-
A1	9,580,826	-	-	170,950	517,862	1,720,144	854,883	145,591	6,171,396	-
Baa1	20,399,709	-	-	-	-	2,127,700	6,286,909	613,869	11,371,231	-
Ba1	9,283,755	-	-	-	-	1,456,900	4,382,972	100,304	3,343,579	-
B1	2,495,394	-	-	-	-	-	1,762,151	-	632,958	100,285
Caa1	183,694	-	-	-	-	-	183,694	-	-	-
Total	$ 58,142,928	$ 4,635,592	$ 7,264,064	$ 2,656,532	$ 1,109,728	$ 5,543,983	$ 13,470,609	$ 859,764	$ 22,502,371	$ 100,285

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a plan's investment in a single issuer. CERF's investment guidelines require diversified portfolios with no single issue, excluding U.S. government securities, being greater than 5% of each manager's total portfolio value at cost or 7% at market value. As of December 31, 2014 and 2013, no single issue exceeded the thresholds.

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The following is a summary of CERF's foreign bonds and international equities funds showing the exposure to foreign currency risk as of December 31, 2014 and 2013:

	2014	2013
Argentina Peso	$ 324,800	$ 329,600
Australian Dollar	305,210	-
Bermuda Dollar	375,348	361,294
Brazilian Real	3,409,399	3,625,093
Canadian Dollar	982,165	1,026,324
Cayman Islands Dollar	1,443,708	1,804,302
Chilean Peso	803,392	717,309
China Yuan Renminbi	769,904	498,948
Colombian Peso	195,000	559,095
Czech Koruna	385,230	335,164
Euro	21,691,903	27,693,212
Hong Kong Dollar	1,367,837	957,946
Indian Rupee	358,197	-
Indonesian Rupiah	872,900	443,800
Japanese Yen	14,001,793	13,661,755
Korean Won	1,726,220	130,217
Mauritian Rupee	196,000	-
Mexican Peso	3,937,249	4,481,211
Moroccan Dirham	498,750	-
Peruvian Nuevo Sol	859,048	815,125
Philippine Peso	688,216	460,714
Russian Ruble	1,121,684	1,311,083
Singapore Dollar	-	813,983
South African Rand	-	234,000
South Korean Won	1,173,856	3,465,661
Swiss Franc	3,807,054	3,728,867
Taiwan New Dollar	601,941	324,510
Thai Baht	919,167	839,318
United Arab Emirates Dirham	362,679	365,178
United Kingdom Pound	13,321,834	11,836,483
United States Dollar	1,459,814	1,827,360
Total Foreign Securities	$ 77,960,298	$ 82,647,552

Securities Lending Program:

Description of the program: CERF participates in a securities lending program administered by KeyBank National Association (the custodian). Under this program, the Board of Directors has authorized CERF to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. At the initiation of a loan, borrowers are required to provide cash collateral at 102% of the market value of loaned securities. This cash collateral is then invested in certain qualified investments as detailed in the securities lending agreement. The maturities of the investments made with cash collateral do not generally match the maturity of security loans. There are no restrictions on the amount of securities that can be lent at one time. CERF does not have the ability to pledge or sell collateral securities unless the borrower defaults. CERF and the borrowers each maintained the right to terminate all security lending transactions on demand.

Transactions with borrowers during the period: Securities lent as of December 31, 2014 and 2013 consisted of U.S. government and agency securities, U.S. equities, U.S. corporate bonds, and mortgage backed securities. The average term of securities loans was 1 day at December 31, 2014 and 2013. The fair value, including accrued interest, of securities on loan was $77,551,698 and $62,814,699, as of December 31, 2014 and 2013, respectively. Because the fair value of collateral held exceeded the fair value of securities lent at December 31, 2014 and 2013, CERF had no credit risk exposure to borrowers as of those dates. There were no losses during the year resulting from a default of the borrowers or the custodial bank.

Investment of cash collateral during the period: The weighted average duration of collateral investments was 1.4 days and 1.7 days at December 31, 2014 and 2013, respectively. The fair value of collateral investments was $79,527,491 and $62,597,940 as of December 31, 2014 and 2013, respectively. CERF's securities lending policy states that in the event a security held in the collateral investments portfolio is downgraded below A3 by Moody's or A- by Standard and Poors that a potential course of action be discussed. Such potential actions include selling the security as soon as possible or holding the security in the hopes of an improved market. As of December 31, 2014, 1.30% or $1,031,303, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. As of December 31, 2013, 1.77%, or $1,106,157, of the total market value of the collateral investments portfolio was in securities that had fallen below these minimum ratings thresholds. The fair value of collateral investments was $797,448 and $1,056,207 less than the liability for the collateral held for securities on loan as of December 31, 2014 and 2013, respectively. The agreement between CERF and the securities lending agent does not provide for indemnification to CERF for any loss incurred as a result of CERF's participation in the program.

Securities lending income: Security lending income from CERF's share of income on investments made from cash collateral less borrower rebates and fees of the securities lending agent was $95,196 and $145,626 for 2014 and 2013, respectively.

The following table summarizes duration by investment type as of December 31 for securities lending invested collateral subject to interest rate risk:

Investment	2014 Fair Value	2014 Effective Duration Rate	2013 Fair Value	2013 Effective Duration Rate
Repurchase agreements	$ 43,462,702	1-35 days	$ 42,705,000	1-88 days
Money market funds	29,033,774	2 days	16,786,731	1 day
Corporate notes	1,031,303	5-267 days	1,106,157	6-268 days
Commercial paper	5,999,617	2 days	1,999,957	6 days
Asset backed securities	95	1 day	95	1 day
Total	$ 79,527,491		$ 62,597,940	

The following table summarizes credit ratings by investment type as of December 31 for securities lending invested collateral subject to credit risk:

Moody's Credit Rating Level	2014 Repurchase Agreements	Money Market Funds	Corporate Notes	Commercial Paper	Asset Backed Securities
Not rated	$ 35,799,999	$ 15,200,000	$ 1,031,303	$ -	$ -
Aaa	-	13,833,774	-	-	-
P1	7,662,703	-	-	5,999,617	-
Ca	-	-	-	-	95
Total	$ 43,462,702	$ 29,033,774	$ 1,031,303	$ 5,999,617	$ 95

Moody's Credit Rating Level	2013 Repurchase Agreements	Money Market Funds	Corporate Notes	Commercial Paper	Asset Backed Securities
Not rated	$ 31,705,000	$ -	$ 1,106,157	$ -	$ -
Aaa	-	16,786,731	-	-	-
P1	11,000,000	-	-	1,999,957	-
Ca	-	-	-	-	95
Total	$ 42,705,000	$ 16,786,731	$ 1,106,157	$ 1,999,957	$ 95

4. CAPITAL ASSETS

Capital assets consist of the following as of December 31, 2014:

	January 1, 2014	Additions	Disposals	December 31, 2014
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Computer software in development	920,518	602,220	-	1,522,738
Total assets not being depreciated	1,852,568	602,220	-	2,454,788
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,781,864	14,622	(10,635)	1,785,851
Total assets being depreciated	4,804,683	14,622	(10,635)	4,808,670
Less accumulated depreciation	2,353,952	79,606	(10,635)	2,422,923
Net assets being depreciated	2,450,731	(64,984)	-	2,385,747
Total capital assets	$ 4,303,299	$ 537,236	$ -	$ 4,840,535

Capital assets consist of the following as of December 31, 2013:

	January 1, 2013	Additions	Disposals	December 31, 2013
Assets not being depreciated:				
Land	$ 932,050	$ -	$ -	$ 932,050
Computer software in development	301,911	618,607	-	920,518
Total assets not being depreciated	1,233,961	618,607	-	1,852,568
Assets being depreciated:				
Building	3,022,819	-	-	3,022,819
Equipment, furnishings and computer software	1,774,799	12,400	(5,335)	1,781,864
Total assets being depreciated	4,797,618	12,400	(5,335)	4,804,683
Less accumulated depreciation	2,273,197	86,090	(5,335)	2,353,952
Net assets being depreciated	2,524,421	(73,690)	-	2,450,731
Total capital assets	$ 3,758,382	$ 544,917	$ -	$ 4,303,299

5. NET PENSION LIABILITY OF EMPLOYERS

The components of the net pension liability of employers as of December 31, 2014 are as follows:

Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	NPL as a % of Covered Payroll ((a-b)/c)
$ 551,305,708	$ 434,606,328	$ 116,699,380	78.83%	$ 371,471,731	31.42%

Actuarial assumptions: Actuarial valuations of the Plan involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future compensation increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The purpose of the schedule of net pension liability is to present multi-year trend information about whether the Plan's fiduciary net position is increasing or decreasing over time relative to the total pension liability. This schedule is presented in the required supplementary information following the notes to the financial statements. Until a full 10-year trend is completed, the multi-year information will be added as it becomes available. The total pension liability as of December 31, 2014 was based on the most recent actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014 using the following actuarial assumptions:

Measurement date	December 31, 2014
Valuation date	December 31, 2014
Actuarial cost method	Entry age
Investment rate of return	8%
Inflation	3%
Compensation increases	Inflation plus an age-graded allowance for merit, promotion, and seniority. Total average increases, including inflation, are approximately 5.3%.
Mortality rates	RP 2000 table separately for males and females projected for mortality improvement through 2010.

The actuarial assumptions are based on an experience study covering the period January 1, 2002 through December 31, 2007. A new experience study was recently completed for the period January 1, 2008 through December 31, 2013. However, assumption changes that were otherwise indicated have not been adopted because of the aberrant economic conditions during that time period.

The sensitivity of the net pension liability to changes in the discount rate is presented below. The net pension liability calculated using the discount rate of 8% is presented as well as what the net pension liability would be using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate.

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
Net pension liability	$189,088,067	$116,699,380	$ 59,760,129

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target allocation as of June 30, 2013 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

		Long-Term Arithmetic Basis	
Asset Class	Target Asset Allocation	Expected Real Return	Weighted Expected Real Return
Core Plus	15.00%	3.11%	0.47%
Absolute Return	15.00%	4.35%	0.65%
U.S. Large Cap Equity	25.00%	7.77%	1.94%
U.S. Small Cap Equity	10.00%	9.03%	0.90%
Non-U.S. Equity	15.00%	8.99%	1.35%
Long/Short Equity	10.00%	7.64%	0.76%
Private Equity	5.00%	1.65%	0.08%
Core Real Estate	5.00%	5.30%	0.27%
Total	100.00%		6.42%
		Inflation	3.00%
	Long-term expected geometric return		9.42%

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current statutory rates and that contributions from employers will be made based on the Plan's revenue sources (various fees and penalties paid to the counties). Such revenue was assumed to increase at the rate of 1.0% per year. This increase assumption has been used by the Plan in prior funding status projections. Historically, revenue increase has averaged more than 1.0% per year. Based on the assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. The projections covered an 80-year period into the future. The long-term expected rate of return on the Plan's investments was applied to projected benefit payments.

6. PRIOR SERVICE CONTRIBUTIONS

An eligible county employee who was employed prior to CERF's inception on August 28, 1994, is considered to have prior service. If the employee was working on June 10, 1999, and worked through January 1, 2000, the prior service is awarded. This means the employee does not have to purchase the service to have it deemed creditable. If the employee did not work continually from June 10, 1999 through January 1, 2000, the prior service must be purchased to become creditable. The prior service is calculated at the time of retirement and can be paid in one lump sum or over a period of up to 48 months. The monthly pension benefit is reduced by the buyback amount until the prior service has been paid in full.

An eligible county employee who was employed on January 1, 1990, but not employed on August 28, 1994, and who had at least eight years of service is classified as a special consultant. A special consultant can elect to purchase eight years or more of their service in order to receive a CERF benefit. Since a special consultant would have terminated employment prior to CERF's inception, they are required to make a larger buyback and must pay at least 50% of this amount up front. The remaining amount is deducted from the monthly pension benefit for up to 48 months.

An eligible county employee who opted out of the system prior to January 1, 2000 had the option to become a member within three months of the three year anniversary of the decision to opt out. Upon deciding to opt in to the system, such employee either purchased in total or began payroll deductions to purchase all or part of their prior creditable service plus interest over a maximum period of four years. Such amounts are recognized as contributions when received by CERF.

The receivables for member prior service contributions shown on the accompanying statements of fiduciary net position represent the total amount, as of December 31, 2014 and 2013, that is due in future periods from retirees who have elected to purchase prior service.

7. RETIREMENT PLANS FOR FUND EMPLOYEES

All full-time employees of CERF are eligible for participation in a defined contribution plan. CERF contributes 6% of a participating employee's monthly gross salary to the plan. The contribution requirements of the plan are governed by the plan document, which may be amended by the Board of Directors. Employees do not contribute to the retirement plan. Employees become vested in contributions made by CERF after 5 years of creditable service. Total contributions for the year ended December 31, 2014 and 2013 were $58,359 and $51,050, respectively.

All full-time employees are eligible for participation in an Internal Revenue Code (IRC) 457 deferred compensation plan upon their eligibility in the defined contribution plan.

8. DEFINED CONTRIBUTION AND DEFERRED COMPENSATION PLANS

Plan description: Effective January 1, 2000, CERF also administers a defined contribution plan and an IRC Section 457 deferred compensation plan. Members of the pension plan are eligible to participate. The plans were established to provide an opportunity for members of the pension plan to have additional retirement benefits. The plans' provisions and contribution requirements are established and may be amended only by action of the Missouri Legislature.

Contributions: Pension plan members who are not members of LAGERS are required to contribute 0.7% of gross compensation to the defined contribution plan. Contributions of $847,895 and $781,936 were made during the years ended December 31, 2014 and 2013, respectively. Participation in the 457 plan is voluntary. The level of contributions to the 457 plan is elected by the employee, subject to the limitations of IRC Sections 401(a) and 457. CERF's Board of Directors determines if matching contributions from the pension plan trust funds for a calendar year will be made to the defined contribution plan accounts of those who participated in the 457 plan and met the applicable service criteria during the plan year. The amount of any matching contribution is limited to an amount not needed to keep the pension plan actuarially sound. The matching contribution is also limited to 50% of a member's voluntary contributions to the 457 plan, up to 3% of the member's compensation. Members vest in the matching portion of contributions allocated to their respective accounts after five years of creditable service. Matching contributions for the years ended December 31, 2014 and 2013 were $2,696,164 and $2,531,548, respectively.

Administration: Maintenance of individual member accounts and custody of assets have been contracted to a third party administrator and investment custodian, respectively. Member contributions are sent directly to the third party administrator by the counties. Members can self-direct investments of their contributions and their respective share of matching contributions in a number of investment options. Separate trust funds are maintained for the defined contribution and 457 plan assets.

Because CERF does not hold the plans' assets and does not have significant administrative responsibilities, the plans' assets and changes in net assets are not reported in CERF's financial statements.

9. RISK MANAGEMENT

CERF is exposed to various risks of loss related to natural disasters, errors and omission, loss of assets, torts, etc. CERF has chosen to cover such losses through the purchase of commercial insurance. There have been no significant insurance claims filed or paid during the past three years.

10. COMMITMENTS

CERF had total unfunded capital commitments to a private equity limited partnership investment fund of $3,735,814 and $4,117,485 as of December 2014 and 2013, respectively.

In December 2012, CERF entered into an agreement with a third party software company to develop and license a new system to be used for Plan administration in the amount of $1,865,600. CERF's unpaid commitment under the agreement was $590,600 as of December 31, 2014.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (Unaudited)
For the Year Ended December 31, 2014

Total pension liability	
Service cost	$ 13,595,040
Interest cost	41,986,362
Difference between actual and expected experience	(1,804,223)
Benefit payments, including refunds of member contributions	(27,411,906)
Net change in total pension liability	26,365,273
Total pension liability - beginning of year	524,940,435
Total pension liability - end of year	$ 551,305,708
Plan fiduciary net position	
Employer contributions	$ 19,781,514
Member contributions	11,899,932
Net investment return	17,958,335
Benefit payments, including refunds of member contributions	(27,411,906)
Defined contribution plan match	(2,696,164)
Administrative and other expenses	(2,125,444)
Net change in Plan fiduciary net position	17,406,267
Plan fiduciary net position - beginning of year	417,200,061
Plan fiduciary net position - end of year	$ 434,606,328
Net pension liability - end of year	$ 116,699,380

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY (Unaudited)
For the Year Ended December 31, 2014

Year Ended	Total Pension Liability (TPL) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (NPL) (a - b)	Plan Fiduciary Net Position as a % of TPL (b/a)	Covered Employee Payroll (c)	NPL as a % of Covered Payroll ((a-b)/c)
12/31/2014	$ 551,305,708	$ 434,606,328	$ 116,699,380	78.83%	$ 371,471,731	31.42%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)

Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a % of Covered Payroll
2005	$ 13,644,088	$ 18,329,258	$ 4,685,170	$ 290,944,956	6.30%
2006	13,447,802	18,923,599	5,475,797	301,692,241	6.27%
2007	12,949,951	19,760,207	6,810,256	317,301,810	6.23%
2008	16,149,220	20,053,257	3,904,037	330,788,272	6.06%
2009	19,974,884	20,347,932	373,048	347,697,487	5.85%
2010	19,353,216	19,739,918	386,702	356,101,368	5.54%
2011	17,641,319	19,364,023	1,722,704	349,451,052	5.54%
2012	18,663,294	19,919,125	1,255,831	352,112,336	5.66%
2013	19,441,738	20,348,888	907,150	358,016,680	5.68%
2014	18,623,038	19,781,514	1,158,476	366,151,670	5.40%

COUNTY EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS (Unaudited)

	Investment Returns, Net of Investment Expenses	
Year Ended December 31	Time Weighted	Money Weighted
2005	5.10%	*
2006	12.40%	*
2007	6.20%	*
2008	-23.60%	*
2009	22.90%	*
2010	14.00%	*
2011	-0.50%	*
2012	13.20%	*
2013	19.30%	*
2014	4.30%	4.34%

**CERF has calculated the annual time-weighted returns since inception in 1995. However, data for the money-weighted returns is only available starting with 2014.*

COUNTY EMPLOYEES' RETIREMENT FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

The information presented in the required supplementary information was determined as part of the most recent actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. Additional information as of the latest actuarial valuation follows.

Changes in benefit terms: On October 1, 2007, significant benefit improvements were made for members retiring on or after that date. The cost impact of the improvements was first incorporated in 2008.

Actuarial methods and assumptions: The actuarially determined contribution rates in the schedule of employers' contributions are calculated as of January 1 of the respective calendar year. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule.

Actuarial cost method	Entry age
Amortization method:	Remaining amortization period from January 1, 2014:
For each year from 1995-2010, level percent of payroll for a 30 year closed period from Januay 1, 1995	20 years
Beginning on January 1, 2011, a fresh start level percent of payroll over the 20 year closed period beginning on that date.	17 years
For subsequent years, additional 20 year bases are established for actuarial gains and losses, benefit improvements, and changes in actuarial assumptions.	18 years for the 2012 base, 19 years for the 2013 base, and 20 years for the 2014 base.
Asset valuation method	Market value from 2005 through 2008 and 5-year smoothing of actual returns above or below expected returns from 2009 through 2014.
Investment rate of return	8%
Inflation	3%
Compensation increases	4% for those with less than 15 years of service and 3% for those with 15 or more years of service, including inflation, from 2005 through 2007. Inflation plus an age-graded allowance for merit, promotion, and seniority from 2008 through 2014. Total average increases are approximately 5.3%.
Retirement age	Expected retirement ages were adjusted in 2008 based on an experience study covering the years 2002 through 2007.
Mortality rates	RP 2000 table separately for males and females projected for mortality improvement through 2010.

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2014 and 2013

	2014	2013
Personal services		
Staff salaries	$ 895,001	$ 870,573
Social security	67,037	62,737
Retirement	58,359	51,050
Insurance	167,150	163,905
Total personal services	1,187,547	1,148,265
Professional services		
Actuarial	157,432	156,193
Audit	63,373	58,178
Legal counsel	175,600	196,294
Legislative consultant	67,000	67,000
Plan design and implementation consultants	37,845	33,792
Total professional services	501,250	511,457
Communication		
Printing	14,894	21,934
Postage	27,844	26,411
Telephone	30,646	26,438
Total communication	73,384	74,783
Rentals		
Equipment leasing and maintenance	38,869	32,297
Total rentals	38,869	32,297
Depreciation	79,606	86,090
Miscellaneous		
Utilities	23,978	23,968
Board of directors expenses	24,724	21,118
Business risk insurance premiums	74,677	71,604
Staff development	18,033	22,963
Office	108,054	96,832
Property taxes	514	47
Total miscellaneous	249,980	236,532
Total administrative expenses	$ 2,130,636	$ 2,089,424

COUNTY EMPLOYEES' RETIREMENT FUND

SCHEDULES OF INVESTMENT EXPENSES
For the Years Ended December 31, 2014 and 2013

	2014	2013
Investment management expenses		
Domestic stocks	$ 1,128,052	$ 906,410
International stocks	457,025	421,500
Bonds	198,709	186,116
Private equity	57,576	48,614
Real estate	151,518	136,454
Total investment management expenses	1,992,880	1,699,094
Other investment expenses		
Investment consultants	211,733	185,773
Investment custodian	122,729	124,409
Bank depository	5,450	5,111
Total other investment expenses	339,912	315,293
Total investment expenses	$ 2,332,792	$ 2,014,387

Securities lending expenses		
Borrower rebates	$ 32,054	$ 14,688
Agent fees	20,273	36,395
Total securities lending expenses	$ 52,327	$ 51,083